

Calendar No. 472

112TH CONGRESS
2D SESSION**S. 3420**

To permanently extend the 2001 and 2003 tax cuts, to provide for permanent alternative minimum tax relief, and to repeal the estate and generation-skipping transfer taxes, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 23, 2012

Mr. LEE (for himself, Mr. RUBIO, Mr. RISCH, Mr. DEMINT, Mr. CORNYN, Mr. VITTER, and Mr. JOHNSON of Wisconsin) introduced the following bill; which was read the first time

JULY 24, 2012

Read the second time and placed on the calendar

A BILL

To permanently extend the 2001 and 2003 tax cuts, to provide for permanent alternative minimum tax relief, and to repeal the estate and generation-skipping transfer taxes, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Permanent Tax Relief
5 Act”.

1 **SEC. 2. PERMANENT EXTENSION OF TAX RELIEF.**

2 (a) 2001 TAX RELIEF.—The Economic Growth and
3 Tax Relief Reconciliation Act of 2001 is amended by strik-
4 ing title IX.

5 (b) 2003 RELIEF.—Title III of the Jobs and Growth
6 Tax Relief Reconciliation Act of 2003 is amended by strik-
7 ing section 303.

8 (c) ALTERNATIVE MINIMUM TAX EXEMPTION
9 AMOUNTS.—

10 (1) INCREASED EXEMPTION AMOUNTS MADE
11 PERMANENT.—

12 (A) IN GENERAL.—Paragraph (1) of sec-
13 tion 55(d) of the Internal Revenue Code of
14 1986 is amended—

15 (i) by striking “\$45,000 (\$72,450 in
16 the case of taxable years beginning in 2010
17 and \$74,450 in the case of taxable years
18 beginning in 2011)” in subparagraph (A)
19 and inserting “\$74,450”,

20 (ii) by striking “\$33,750 (\$47,450 in
21 the case of taxable years beginning in 2010
22 and \$48,450 in the case of taxable years
23 beginning in 2011)” in subparagraph (B)
24 and inserting “\$48,450”, and

1 (iii) by striking “paragraph (1)(A)” in
 2 subparagraph (C) and inserting “subpara-
 3 graph (A)”.

4 (2) EXEMPTION AMOUNTS INDEXED FOR IN-
 5 FLATION.—Subsection (d) of section 55 of the Inter-
 6 nal Revenue Code of 1986 is amended by adding at
 7 the end the following new paragraph:

8 “(4) INFLATION ADJUSTMENT.—

9 “(A) IN GENERAL.—In the case of any
 10 taxable year beginning in a calendar year after
 11 2011, each of the dollar amounts contained in
 12 subparagraphs (A) and (B) of paragraph (1)
 13 shall be increased by an amount equal to—

14 “(i) such dollar amount, multiplied by

15 “(ii) the cost-of-living adjustment de-
 16 termined under section 1(f)(3) for the cal-
 17 endar year in which the taxable year be-
 18 gins, determined by substituting ‘calendar
 19 year 2010’ for ‘calendar year 1992’ in sub-
 20 paragraph (B) thereof.

21 “(B) ROUNDING.—Any increase deter-
 22 mined under subparagraph (A) shall be rounded
 23 to the nearest multiple of \$100.”.

1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to taxable years begin-
3 ning after December 31, 2011.

4 (d) ALTERNATIVE MINIMUM TAX RELIEF FOR NON-
5 REFUNDABLE CREDITS.—

6 (1) IN GENERAL.—Subsection (a) of section 26
7 of the Internal Revenue Code of 1986 is amended to
8 read as follows:

9 “(a) LIMITATION BASED ON AMOUNT OF TAX.—The
10 aggregate amount of credits allowed by this subpart for
11 the taxable year shall not exceed the sum of—

12 “(1) the taxpayer’s regular tax liability for the
13 taxable year reduced by the foreign tax credit allow-
14 able under section 27(a), and

15 “(2) the tax imposed by section 55(a) for the
16 taxable year.”.

17 (2) CONFORMING AMENDMENTS.—

18 (A) ADOPTION CREDIT.—

19 (i) Section 23(b) of the Internal Rev-
20 enue Code of 1986 is amended by striking
21 paragraph (4).

22 (ii) Section 23(c) of such Code is
23 amended by striking paragraphs (1) and
24 (2) and inserting the following:

1 “(1) IN GENERAL.—If the credit allowable
 2 under subsection (a) for any taxable year exceeds
 3 the limitation imposed by section 26(a) for such tax-
 4 able year reduced by the sum of the credits allowable
 5 under this subpart (other than this section and sec-
 6 tions 25D and 1400C), such excess shall be carried
 7 to the succeeding taxable year and added to the
 8 credit allowable under subsection (a) for such tax-
 9 able year.”.

10 (iii) Section 23(c) of such Code is
 11 amended by redesignating paragraph (3)
 12 as paragraph (2).

13 (B) CHILD TAX CREDIT.—

14 (i) Section 24(b) of such Code is
 15 amended by striking paragraph (3).

16 (ii) Section 24(d)(1) of such Code is
 17 amended—

18 (I) by striking “section 26(a)(2)
 19 or subsection (b)(3), as the case may
 20 be,” each place it appears in subpara-
 21 graphs (A) and (B) and inserting
 22 “section 26(a)”, and

23 (II) by striking “section 26(a)(2)
 24 or subsection (b)(3), as the case may

1 be” in the second last sentence and
 2 inserting “section 26(a)”.

3 (C) CREDIT FOR INTEREST ON CERTAIN
 4 HOME MORTGAGES.—Section 25(e)(1)(C) of
 5 such Code is amended to read as follows:

6 “(C) APPLICABLE TAX LIMIT.—For pur-
 7 poses of this paragraph, the term ‘applicable
 8 tax limit’ means the limitation imposed by sec-
 9 tion 26(a) for the taxable year reduced by the
 10 sum of the credits allowable under this subpart
 11 (other than this section and sections 23, 25D,
 12 and 1400C).”.

13 (D) SAVERS’ CREDIT.—Section 25B of
 14 such Code is amended by striking subsection
 15 (g).

16 (E) RESIDENTIAL ENERGY EFFICIENT
 17 PROPERTY.—Section 25D(c) of such Code is
 18 amended to read as follows:

19 “(c) CARRYFORWARD OF UNUSED CREDIT.—If the
 20 credit allowable under subsection (a) exceeds the limita-
 21 tion imposed by section 26(a) for such taxable year re-
 22 duced by the sum of the credits allowable under this sub-
 23 part (other than this section), such excess shall be carried
 24 to the succeeding taxable year and added to the credit al-

1 lowable under subsection (a) for such succeeding taxable
 2 year.”.

3 (F) CERTAIN PLUG-IN ELECTRIC VEHI-
 4 CLES.—Section 30(c)(2) of such Code is
 5 amended to read as follows:

6 “(2) PERSONAL CREDIT.—For purposes of this
 7 title, the credit allowed under subsection (a) for any
 8 taxable year (determined after application of para-
 9 graph (1)) shall be treated as a credit allowable
 10 under subpart A for such taxable year.”.

11 (G) ALTERNATIVE MOTOR VEHICLE CRED-
 12 IT.—Section 30B(g)(2) of such Code is amend-
 13 ed to read as follows:

14 “(2) PERSONAL CREDIT.—For purposes of this
 15 title, the credit allowed under subsection (a) for any
 16 taxable year (determined after application of para-
 17 graph (1)) shall be treated as a credit allowable
 18 under subpart A for such taxable year.”.

19 (H) NEW QUALIFIED PLUG-IN ELECTRIC
 20 VEHICLE CREDIT.—Section 30D(c)(2) of such
 21 Code is amended to read as follows:

22 “(2) PERSONAL CREDIT.—For purposes of this
 23 title, the credit allowed under subsection (a) for any
 24 taxable year (determined after application of para-

graph (1)) shall be treated as a credit allowable under subpart A for such taxable year.”.

(I) CROSS REFERENCES.—Section 55(c)(3) of such Code is amended by striking “26(a), 30C(d)(2),” and inserting “30C(d)(2)”.

(J) FOREIGN TAX CREDIT.—Section 904 of such Code is amended by striking subsection (i) and by redesignating subsections (j) , (k), and (l) as subsections (i), (j), and (k), respectively.

(K) FIRST-TIME HOME BUYER CREDIT FOR THE DISTRICT OF COLUMBIA.—Section 1400C(d) of such Code is amended to read as follows:

“(d) CARRYFORWARD OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under subpart A of part IV of subchapter A (other than this section and section 25D), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2011.

1 **SEC. 3. REPEAL OF ESTATE AND GENERATION-SKIPPING**
 2 **TRANSFER TAXES.**

3 (a) ESTATE TAX REPEAL.—Subchapter C of chapter
 4 11 of subtitle B of the Internal Revenue Code of 1986
 5 is amended by adding at the end the following new section:

6 **“SEC. 2210. TERMINATION.**

7 “(a) IN GENERAL.—Except as provided in subsection
 8 (b), this chapter shall not apply to the estates of decedents
 9 dying on or after the date of the enactment of the Perma-
 10 nent Tax Relief Act.

11 “(b) CERTAIN DISTRIBUTIONS FROM QUALIFIED
 12 DOMESTIC TRUSTS.—In applying section 2056A with re-
 13 spect to the surviving spouse of a decedent dying before
 14 the date of the enactment of the Permanent Tax Relief
 15 Act—

16 “(1) section 2056A(b)(1)(A) shall not apply to
 17 distributions made after the 10-year period begin-
 18 ning on such date, and

19 “(2) section 2056A(b)(1)(B) shall not apply on
 20 or after such date.”.

21 (b) GENERATION-SKIPPING TRANSFER TAX RE-
 22 PEAL.—Subchapter G of chapter 13 of subtitle B of the
 23 Internal Revenue Code of 1986 is amended by adding at
 24 the end the following new section:

1 **“SEC. 2664. TERMINATION.**

2 “This chapter shall not apply to generation-skipping
3 transfers on or after the date of the enactment of the Per-
4 manent Tax Relief Act.”.

5 (c) CONFORMING AMENDMENTS.—

6 (1) The table of sections for subchapter C of
7 chapter 11 of the Internal Revenue Code of 1986 is
8 amended by adding at the end the following new
9 item:

“Sec. 2210. Termination.”.

10 (2) The table of sections for subchapter G of
11 chapter 13 of such Code is amended by adding at
12 the end the following new item:

“Sec. 2664. Termination.”.

13 (d) RESTORATION OF PRE-EGTRRA PROVISIONS
14 NOT APPLICABLE.—

15 (1) IN GENERAL.—Section 301 of the Tax Re-
16 lief, Unemployment Insurance Reauthorization, and
17 Job Creation Act of 2010 shall not apply to estates
18 of decedents dying, and transfers made, on or after
19 the date of the enactment of this Act.

20 (2) EXCEPTION FOR STEPPED-UP BASIS.—
21 Paragraph (1) shall not apply to the provisions of
22 law amended by subtitle E of title V of the Eco-
23 nomic Growth and Tax Relief Reconciliation Act of

1 2001 (relating to carryover basis at death; other
2 changes taking effect with repeal).

3 (e) SUNSET NOT APPLICABLE.—Section 304 of the
4 Tax Relief, Unemployment Insurance Reauthorization,
5 and Job Creation Act of 2010 is hereby repealed.

6 (f) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to the estates of decedents dying,
8 and generation-skipping transfers, after the date of the
9 enactment of this Act.

10 **SEC. 4. MODIFICATIONS OF GIFT TAX.**

11 (a) COMPUTATION OF GIFT TAX.—Subsection (a) of
12 section 2502 of the Internal Revenue Code of 1986 is
13 amended to read as follows:

14 “(a) COMPUTATION OF TAX.—

15 “(1) IN GENERAL.—The tax imposed by section
16 2501 for each calendar year shall be an amount
17 equal to the excess of—

18 “(A) a tentative tax, computed under para-
19 graph (2), on the aggregate sum of the taxable
20 gifts for such calendar year and for each of the
21 preceding calendar periods, over

22 “(B) a tentative tax, computed under para-
23 graph (2), on the aggregate sum of the taxable
24 gifts for each of the preceding calendar periods.

25 “(2) RATE SCHEDULE.—

“If the amount with respect to which the tentative tax to be computed is:	The tentative tax is:
Not over \$10,000	18% of such amount.
Over \$10,000 but not over \$20,000	\$1,800, plus 20% of the excess over \$10,000.
Over \$20,000 but not over \$40,000	\$3,800, plus 22% of the excess over \$20,000.
Over \$40,000 but not over \$60,000	\$8,200, plus 24% of the excess over \$40,000.
Over \$60,000 but not over \$80,000	\$13,000, plus 26% of the excess over \$60,000.
Over \$80,000 but not over \$100,000	\$18,200, plus 28% of the excess over \$80,000.
Over \$100,000 but not over \$150,000	\$23,800, plus 30% of the excess over \$100,000.
Over \$150,000 but not over \$250,000	\$38,800, plus 32% of the excess of \$150,000.
Over \$250,000 but not over \$500,000	\$70,800, plus 34% of the excess over \$250,000.
Over \$500,000	\$155,800, plus 35% of the excess of \$500,000.”.

1 (b) TREATMENT OF CERTAIN TRANSFERS IN
2 TRUST.—Section 2511 of the Internal Revenue Code of
3 1986 is amended by adding at the end the following new
4 subsection:

5 “(c) TREATMENT OF CERTAIN TRANSFERS IN
6 TRUST.—Notwithstanding any other provision of this sec-
7 tion and except as provided in regulations, a transfer in
8 trust shall be treated as a taxable gift under section 2503,
9 unless the trust is treated as wholly owned by the donor
10 or the donor’s spouse under subpart E of part I of sub-
11 chapter J of chapter 1.”.

1 (c) LIFETIME GIFT EXEMPTION.—Paragraph (1) of
 2 section 2505(a) of the Internal Revenue Code of 1986 is
 3 amended to read as follows:

4 “(1) the amount of the tentative tax which
 5 would be determined under the rate schedule set
 6 forth in section 2502(a)(2) if the amount with re-
 7 spect to which such tentative tax is to be computed
 8 were \$5,000,000, reduced by”.

9 (d) CONFORMING AMENDMENTS.—

10 (1) Section 2505(a) of the Internal Revenue
 11 Code of 1986 is amended by striking the last sen-
 12 tence.

13 (2) The heading for section 2505 of such Code
 14 is amended by striking “**UNIFIED**”.

15 (3) The item in the table of sections for sub-
 16 chapter A of chapter 12 of such Code relating to
 17 section 2505 is amended to read as follows:

“Sec. 2505. Credit against gift tax.”.

18 (e) EFFECTIVE DATE.—The amendments made by
 19 this section shall apply to gifts made on or after the date
 20 of the enactment of this Act.

21 (f) TRANSITION RULE.—

22 (1) IN GENERAL.—For purposes of applying
 23 sections 1015(d), 2502, and 2505 of the Internal
 24 Revenue Code of 1986, the calendar year in which
 25 this title is enacted shall be treated as 2 separate

1 calendar years one of which ends on the day before
2 the date of the enactment of this Act and the other
3 of which begins on such date of enactment.

4 (2) APPLICATION OF SECTION 2504(b).—For
5 purposes of applying section 2504(b) of the Internal
6 Revenue Code of 1986, the calendar year in which
7 this title is enacted shall be treated as one preceding
8 calendar period.

Calendar No. 472

112TH CONGRESS
2^D Session
S. 3420

A BILL

To permanently extend the 2001 and 2003 tax cuts, to provide for permanent alternative minimum tax relief, and to repeal the estate and generation-skipping transfer taxes, and for other purposes.

JULY 24, 2012

Read the second time and placed on the calendar